Western Economic Diversification Canada

2010-2011
Estimates

Report on Plans and Priorities

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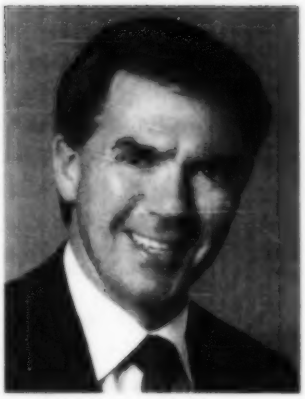
Minister's Message

Protecting the Future of Western Canadians



As Minister responsible for Western Economic Diversification Canada (WD), I am pleased to present the department's *Report on Plans and Priorities for 2010–2011*.

Western Canada is blessed with an abundance of natural resources, which have been the foundation of the western economy and made the region a driving force behind Canada's prosperity.

However, the global economic downturn has demonstrated that the West must further diversify its economy to ensure that it remains strong, innovative and competitive.

WD is taking action to ensure the West emerges from the downturn stronger than ever by helping deliver Canada's Economic Action Plan in the western provinces. Specifically, the department is delivering the Recreational Infrastructure Canada (RInC) program and the Community Adjustment Fund (CAF). These short-term programs not only provide timely, targeted and temporary economic stimulus to Canadian communities, they create and maintain jobs, improve the health and quality of life of our communities, and pave the way for future growth and prosperity.

For more than 20 years, WD has worked closely with the West to diversify the western economy. The department will continue to build on the solid foundation it has laid of strategic projects, partnerships and programs that support entrepreneurship, foster innovation, strengthen our communities and open international markets.

The Honourable Jim Prentice, P.C., Q.C., M.P.

Minister of State's Message

Creating Economic Prosperity for the West

Since its establishment in 1987, Western Economic Diversification Canada (WD) has been acting on the priorities of western Canadians by focusing on growing small business, creating local jobs, and attracting more investment to expand the economy.

2009 was an extraordinary year, with the worldwide recession requiring an immediate and comprehensive action plan from the Government of Canada. WD played a major role in this action plan by working to maintain and create jobs for Western families, workers, and businesses to weather the economic storm.

As we are now reaching the second year of the plan, WD will continue to deliver the Community Adjustment Fund and Recreational Infrastructure Canada program for western communities. But WD's work won't stop there – we will continue to focus on growing a competitive western economy that responds to the needs of industry, both locally and abroad.

WD is committed to a strong West that will grow and prosper. We will continue to do this by working together with our partners so we can deliver even more results for western Canadians.

The Honourable Lynne Yelich, P.C., M.P.

Section I: Departmental Overview

1.1 Raison d'être and Responsibilities

Western Economic Diversification Canada (WD) was established in 1987 to lessen Western Canada's (Manitoba, Saskatchewan, Alberta and British Columbia) economic dependence on its natural resources. Under the *Western Economic Diversification Act, 1988*, the department is mandated to:

> *"promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy, program and project development and implementation."*

To support these outcomes, WD's programs encourage business development, innovation and community economic development in rural and urban communities. The department plays an important leadership and coordination role in furthering western interests and responding to western challenges. WD works strategically through partnerships – with all orders of government, academic and research institutes, industry associations, and not-for-profit organizations – to implement initiatives that leverage funds and expertise for the benefit of the West and westerners.

Vision

To be leaders in creating a more diversified western Canadian economy that has strong, competitive and innovative businesses and communities

WD's Deputy Minister is based in the department's Headquarters office in Edmonton, Alberta. Regional offices are located in each of the western provinces – Vancouver, Edmonton, Saskatoon, and Winnipeg, with a liaison office in Ottawa and regional satellite offices in Calgary and Victoria.

Through its core resources, WD:

- Administers grant and contribution programs that advance innovation, business development and community economic development in rural and urban areas throughout the four western provinces.
- Implements multi-year initiatives such as the Western Economic Partnership Agreements. These agreements between the Government of Canada and the four western provinces address economic challenges by investing in shared priorities that include:
  - Supporting research and development, with a focus on getting new products, technologies and services out to market;
  - Expanding trade and investment;
  - Enhancing business productivity and competitiveness; and
  - Increasing value-added production in traditional industries.
- Invests in pan-western and multi-regional projects that will further develop and diversify the western Canadian economy.

- Supports the Western Canada Business Service Network, made up of more than 100 economic development organizations in rural and urban communities across the West where entrepreneurs can get assistance in starting and growing their businesses.
- Supports Rural Economic Development Organizations in western Canada to foster entrepreneurship and community economic development in rural areas of western Canada.
- Prepares and disseminates information that improves understanding of western Canadian challenges, opportunities and priorities, and which provides the factual intelligence necessary to undertake internal or external policy and program development.

The department is also responsible for delivering initiatives under the Government of Canada's Economic Action Plan in the West, including:

- The Community Adjustment Fund (CAF) - supports projects that create jobs and maintain employment in and around communities that have experienced significant job losses and lack alternative employment opportunities due to the economic downturn.
- The Recreational Infrastructure Canada (RInC) program - helps reduce the impacts of the global recession by renewing, upgrading and expanding recreational infrastructure in Canadian communities, creating jobs and contributing to the health and quality of life in communities.

In support of national initiatives on behalf of the federal government, WD also:

- Works with provinces and municipalities to deliver a variety of infrastructure programming targeting rural and urban areas in the West, in partnership with the Transport, Infrastructure and Communities Portfolio.
- Administers the Economic Development Initiative in the West, a program supporting business and economic development, which encourages sustainable growth in Western Canada's Francophone communities.

1.2 Strategic Outcome and Program Activity Architecture

The diagram below illustrates WD's Program Activity Architecture (PAA) which is a requirement of all federal departments. WD's PAA provides an inventory of the department's programs, and reflects how WD is structured and how accountabilities are managed. Furthermore, it defines how program activities contribute to WD's strategic outcome. The program activities of the PAA are the first level of activity reflecting how WD allocates and manages the resources under its control to achieve intended results.

Strategic Outcome	Program Activities	Program Sub-Activities
The western Canadian economy is developed and diversified	Business Development	Improve Business Productivity
		Market and Trade Development
		Industry Collaboration
		Foreign Direct Investment
		Access to Capital
	Innovation	Technology Adoption and Commercialization
		Technology Linkages
		Technology Research and Development
		Community Innovation
		Technology Skills Development
		Knowledge Infrastructure
	Community Economic Development	Community Planning
		Community Development
		Community Economic Adjustment
		Community Infrastructure
	Policy, Advocacy and Coordination	Collaboration and Coordination
		Research and Analysis
		Advocacy
	Internal Services	Governance and Management Support
		Resource Management Services
		Asset Management Services

1.3 WD's New Program Activity Architecture for 2010-2011

WD received Treasury Board approval to amend its Program Activity Architecture (PAA) in May 2009. The change was made in relation to the department's continued implementation of the Treasury Board Policy on Management, Resources and Results Structure (MRRS), a government-wide approach to the collection, management and reporting of financial and non-financial performance information. The new streamlined PAA will enable the department to improve its focus on objectives and outcomes in planning and reporting, allow it to improve the communication of results and benefits to the public, and assist it to strengthen the capacity to evaluate outcomes and results that will improve management capacity to allocate resources.

The table below illustrates the changes made to WD's PAA (the Internal Services program activity remains unchanged).

<table>
<tr><th>PAA for 2009-2010</th><th>New PAA for 2010-2011</th></tr>
<tr><th colspan="2">Strategic Outcome(s)</th></tr>
<tr><td>1. Entrepreneurship and Innovation:
The western Canadian economy is competitive, expanded and diversified</td><td rowspan="3">1. The western Canadian economy is developed and diversified</td></tr>
<tr><td>2. Community Economic Development:
Communities in Western Canada are economically viable</td></tr>
<tr><td>3. Policy, Advocacy and Coordination:
Policies and programs that strengthen the western Canadian economy</td></tr>
<tr><th colspan="2">Program Activities</th></tr>
<tr><td>1.1 Business Development and Entrepreneurship</td><td>1.1 Business Development</td></tr>
<tr><td>1.2 Innovation</td><td>1.2 Innovation</td></tr>
<tr><td>2.1 Community Economic Planning, Development and Adjustment</td><td rowspan="2">1.3 Community Economic Development</td></tr>
<tr><td>2.2 Infrastructure</td></tr>
<tr><td>3.1 Advocacy</td><td rowspan="3">1.4 Policy, Advocacy and Coordination</td></tr>
<tr><td>3.2 Collaboration and Coordination</td></tr>
<tr><td>3.3 Research and Analysis</td></tr>
</table>

1.4 Planning Summary

1.4.1 Financial and Human Resources

The tables below provide a summary of the department's total planned spending and human resources for the next three fiscal years. The decrease in financial and human resources from fiscal year 2010-2011 onwards is primarily due to the planned conclusion of funding received under Canada's Economic Action Plan, which expires at the end of the 2010-2011 fiscal year.

Financial Resources ($ thousands)

2010-11	2011-12	2012-13
428,958	173,196	160,259

Human Resources (Full-Time Equivalent – FTEs)

2010-11	2011-12	2012-13
474	396	396

1.4.2 Planning Summary Table

To measure progress against its strategic outcome, WD has selected four performance indicators and established targets, which it tracks annually.

Strategic Outcome: The western Canadian economy is developed and diversified	
Performance Indicators	**Targets**
Real gross domestic product (GDP) growth in western Canada	3.0% (stable growth rate)
Labour productivity growth in Western Canada, measured as year-over-year change in real GDP per hour worked	1.2% (stable growth rate)
Primary production as a % of GDP	14% (continuation of downward trend)
Research & Development (R&D) intensity: gross domestic expenditures on R&D (GERD) as % of GDP	1.3% (stable growth rate)

The following table illustrates the distribution of WD's overall funding by the five program activities that make up WD's Program Activity Architecture over the next three fiscal years. This table includes funding received by the department through Canada's Economic Action Plan[1].

($ thousands)

Program Activity	Forecast Spending 2009–10	Planned Spending			Alignment to Government of Canada Outcomes
		2010–11	2011–12	2012–13	
Business Development	52,072	39,157	42,575	42,575	Strong Economic Growth
Innovation	80,344	59,455	49,207	49,207	An Innovative and Knowledge-based Economy
Community Economic Development	325,430	303,053	54,206	41,269	Strong Economic Growth
Policy, Advocacy and Coordination	9,521	8,873	8,879	8,879	Strong Economic Growth
Internal Services	20,785	18,420	18,329	18,329	Strong Economic Growth and an Innovative and Knowledge-based Economy
Total	**488,152**	**428,958**	**173,196**	**160,259**	

[1] The department's Economic Action Plan activities are delivered under the Community Economic Development program activity. Forecasted spending for 2009-2010 in this area is 220,845 ($ thousands) and planned spending for 2010-2011 totals 245,022 ($ thousands). The department's Economic Action Plan activities are presented separately in section 2.1.5.

1.5 Contribution of Priorities to Strategic Outcome

For 2010-2011, WD has identified three operational priorities and four management priorities to support the achievement of its strategic outcome.

Operational Priorities

The economies of communities across western Canada face varied and distinct challenges depending in part on their size, historical and current industrial base, and geographic location. In pursuing each of these three operational priorities, WD will strive to ensure that both rural and urban communities benefit from departmental programming.

- **Technology Commercialization** – to facilitate the translation of knowledge and technology into commercial opportunities.
- **Trade and Investment** – to enhance small-and medium-sized enterprises (SME) participation in global markets, create value-added opportunities connected to Western Canada's gateways and corridors, and raise Western Canada's visibility as a competitive investment location.
- **Business Productivity and Competitiveness** – to support the growth and competitiveness of western Canadian SMEs.

All three priorities are ongoing, having been committed to at least three fiscal years prior to 2010-2011.

Technology Commercialization

Why is this a priority?

Link to Program Activity:
Innovation

- In Western Canada, relatively low levels of business expenditures on research and development (BERD) illustrate the weak emphasis on business innovation. There is a strong correlation between BERD and innovation activity, and Western Canada's average BERD of only 0.5 per cent of GDP between 2003 and 2006, is considerably lower than Canada as a whole (1.2 per cent) and well behind innovation leaders such as Finland (2.5 per cent), the state of California (3.1 per cent), and the state of Washington (3.5 per cent)[2].
- Supporting technology commercialization organizations such as industry associations, technical institutes and universities will foster new knowledge and technologies. Through innovation, knowledge is translated into new products and services, and into new ways of designing, producing or marketing existing products or services for public and private markets.

[2] The Conference Board of Canada's report "*Western Canada: Productivity, Competitiveness, and Potential*" (Ottawa: June 2009)

- WD's investments in innovation and technology commercialization are the foundation for economic diversification and support the transition to a knowledge-based economy and align with the Government of Canada's Science and Technology Strategy.

Plans for meeting the priority, WD will:

- Continue to support the creation and growth of knowledge-based clusters in new economy sectors that contribute to an increase in knowledge-driven and value-added economic activities.
- In partnership with provincial and local governments and other partners, make strategic investments to support technology commercialization and adoption initiatives, enhance technology skills development, support applied research and development, strengthen knowledge infrastructure and create linkages across the innovation system.
- Support research and development, and commercialization in rural communities through working with Post-Secondary Education institutions.

Trade and Investment

Why is this a priority?

Link to Program Activity:
Business Development

- Western Canada is highly dependent on foreign trade with exports accounting for roughly 34 per cent of its GDP. A key challenge facing Western Canada is to build on the existing strengths of a primarily resource-based economy while adapting to the increasing pressures to remain internationally competitive particularly in emerging sectors. Western Canada's future prosperity is heavily dependent on its ability to expand into international markets and attract foreign direct investment.
- The Canada First Defence Strategy along with Canada's mission in Afghanistan have resulted in unprecedented opportunities for western Canadian aerospace and defence companies. Assisting these companies to compete for Canadian defence contracts as well as to link into the global supply chains of multinational defence and aerospace corporations will help them become more competitive internationally.
- This priority directly aligns with the Government of Canada's Global Commerce Strategy, Advantage Canada and the National Policy Framework for Strategic Gateways and Corridors.

Plans for meeting the priority, WD will:

- Support international business development projects targeting the United States and Mexico, the Asia-Pacific region, Latin America and other priority markets.
- Coordinate activities that will enable western Canadian aerospace and defence companies to access federal procurement and industrial regional benefits opportunities.
- Support initiatives that will enhance the trade and investment attraction potential of large-scale technology projects supported by WD.
- Work with partners to pursue value-added economic opportunities associated with Western Canada's gateways and corridors, such as the Asia-Pacific Gateway and Corridor and the Mid-Continent Trade Corridor.

Business Productivity and Competitiveness

Why is this a priority?

Link to Program Activity:
Business Development

- Canada's productivity growth continues to lag behind that of the United States. According to the Competition Policy Review Panel – *Compete to Win* – Canada's productivity performance lags behind the United States and most Organisation for Economic Co-operation and Development (OECD) countries[3] and Canada's growth rate has been much slower than the United States, particularly since 2000[4]. An analysis suggests that the widening productivity gap is due to differences in technology adoption, innovation, firm organization, scale and capacity utilization as opposed to the commonly held belief that the gap is due to relatively low levels of capital investment[5].
- In addition to facing strong global competition from low wage countries, western Canadian manufacturers are hampered by geographic distance from strategic emerging major markets (e.g. Asia) and lack economies of scale to support a high concentration of traditional manufacturing.
- Productivity growth is considered to be a key component of long-term economic growth and increasing the long-term material standard of living of Canadians.
- This priority aligns with the Government of Canada priorities outlined in Advantage Canada, the Science and Technology Strategy, and the Global Commerce Strategy.

Plans for meeting the priority, WD will:

- Facilitate and enable access to risk capital and business services to small-and medium-sized enterprises through programs and services offered in conjunction with other business services organizations and associations.
- Undertake systemic initiatives to enhance business productivity and competitiveness, including support for initiatives that promote awareness and adoption of new management and business practices (i.e. lean manufacturing), to access global supply chains, and to create strong business networks.

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[3] Out of 30 leading economies, Canada ranks 26th in terms of labour productivity growth.
[4] According to Statistics Canada, Canada's labour productivity was only three-quarters of the American level in 2008.
[5] John Baldwin and Wulong Gu: *Productivity Performance in Canada, 1961 to 2008: An Update on Long-term Trends*; Statistics Canada, Economic Analysis Division. However, over the period 2000-2008, labour productivity growth in the Canadian business sector was also much lower than that of the American business sector. The Canada-US labour productivity growth gap was 1.9 percentage points per year over the period 2000-2008.

Management Priorities

To improve the management practices of the department in 2010-2011, WD will focus on the following four management priorities to support the achievement of its strategic outcome:

- **Public Service Renewal** – to sustain the necessary complement of qualified, motivated and knowledgeable staff to deliver on WD's mandate and contribute to federal priorities.
- **Performance Measurement** – to ensure value for money, support organizational decision-making and demonstrate results.
- **Integrated Risk Management** – to ensure the comprehensive and consistent use of risk information to inform departmental management.
- **Information Management** – to enhance access to information supporting decision-making and communication with Canadians.

The first three priorities listed above have been previously committed to two years prior to the 2010-2011 fiscal year. The latter priority is new for 2010-2011.

Public Service Renewal

Why is this a priority?

- To ensure the department continues to have the people, knowledge and skills to effectively deliver on its mandate and contribute to the Government of Canada priorities.

Plans for meeting the priority:

WD will sustain the necessary complement of qualified, motivated and knowledgeable staff by focusing on:

- Encouraging employee engagement, knowledge transfer, career development, talent management, and succession planning.
- Conducting strategic recruitment and renewal initiatives.
- Enabling infrastructure such as developing a new competency-based performance management system and establishing service standards for human resources services.

Performance Measurement

Why is this a priority?

- To demonstrate to Canadians WD's impact on the development and diversification of the western Canadian economy.
- To support evidence-based decision making, policy development, and enable the department to implement strategic adjustments as required throughout the year.
- To ensure a high quality Performance Measurement Framework[6] that meets Treasury Board requirements.

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[6] An objective basis for collecting information related to the intended results of a department and its programs.

Plans for meeting the priority:
To support improved performance measurement, WD will focus on:

- Reviewing and implementing performance measures to ensure relevance and effectiveness.
- Developing innovative performance measurement approaches and methodologies to more effectively measure and communicate WD's results.
- Further development of WD's project database system, Project Gateway, to more effectively manage project performance measurement and reporting.

Integrated Risk Management

Why is this a priority?

- To enable the department to identify the range of risks that may compromise the achievement of the department's mandate (e.g. human, financial, and program) and take steps to mitigate these risks.

Plans for meeting the priority:
To continuously improve risk management, WD will focus on:

- Increasing risk-sensitive oversight aimed at reducing the current web of rules for clients and internal administration.
- Developing and promoting tools to encourage the greater integration of risk-based decision-making throughout the department.
- Integrating risk into the department's planning cycle.
- Increasing awareness of risk management expectations and initiatives to encourage greater cultural change.

Information Management

Why is this a priority?

- To enhance access to both accurate and timely information for decision-making and communication with Canadians.
- To improve Canadians' ability to communicate and work with the department.

Plans for meeting the priority:
To support improved information management, WD will focus on:

- Deploying departmental training and technology to optimize access and handling of information, including streamlined work processes and group collaboration, to improve departmental information management practices which will result in better service to Canadians.

1.6 Risk Analysis

After a historic year of decline in which the Canadian and global economies contracted more than two per cent, most analysis suggests that economic recovery will begin to slowly build momentum through 2010 and accelerate over the latter part of 2011, with the Canadian economy closing its output gap in approximately 2013[7]. Despite this optimism, much uncertainty remains and WD faces challenges in pursuit of its strategic outcome and priorities for 2010-2011. The priorities and plans outlined in this document are designed to be flexible and responsive, addressing current economic conditions as well as the long-term challenges confronting Western Canada.

As a commodity driven, trade-oriented economy, Western Canada's economic dependence on resources makes it particularly vulnerable to international market conditions and commodity prices. In 2009, Saskatchewan, Alberta, and British Columbia experienced significant declines in economic activity (GDP fell between 2.5 to 2.7 per cent for these provinces[8]) after experiencing record levels of growth in the previous year. The economic downturn of the past year has not affected all western provinces equally. In spite of struggling mining and manufacturing sectors, Manitoba has proven to be one of the most resilient economies in the country, posting 0.8 per cent GDP growth in 2009[9].

Despite being hit hard in 2009, public and private sector forecasts suggest the western provinces will be leading a tentative Canadian recovery in 2010. This encouraging outlook is the result of monetary stimulus, improving financial conditions, higher commodity and energy prices, lower construction costs, and strong infrastructure stimulus spending by the federal and provincial governments[10].

As the federal government's regional development agency for Western Canada, WD is well positioned to deliver economic stimulus as part of the Government of Canada's Economic Action Plan. Over the next year, the department will maintain its commitment to the Community Adjustment Fund and the Recreational Infrastructure Canada initiatives increasingly shifting its focus from project development to stewardship and oversight, ensuring value for money and results for Canadians.

In the long term, Western Canada's prosperity will depend largely on its ability to become more competitive by increasing participation in international markets and attracting foreign direct investment. There are growing commercial opportunities for value-added goods and services in non-traditional markets and with growing capacity in both emerging sectors, such as biotechnology and the life sciences, clean energy and environmental technologies,

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[7] The Conference Board of Canada, "*Canadian Outlook Economic Forecast: Autumn 2009*" (Ottawa: 2009) The Bank of Canada, "*Monetary Policy Report: October 2009*" (Ottawa: 2009), TD Economics, "*Long-Term Economic Forecast: June 2009*" (Toronto: 2009).

[8] The Conference Board of Canada, "*Provincial Outlook Economic Forecast: November 2009*" (Ottawa: 2009) TD Economics, "*Provincial Economic Forecast: November 2009*" (Toronto: 2009).

[9] The Conference Board of Canada, "*Provincial Outlook Economic Forecast: November 2009*" (Ottawa: 2009) TD Economics, "*Provincial Economic Forecast: November 2009*" (Toronto: 2009).

[10] The Bank of Canada, "*Monetary Policy Report: October 2009*" (Ottawa: 2009).

nanotechnology, and established sectors, such as aerospace and value added agriculture, the western innovation system is well positioned to take advantage of these opportunities. Over the next year WD will promote western participation in global value chains and export development in the United States and Mexico, the Asia-Pacific region, Latin America, and other priority markets in order to capitalize on the West's strategic geographic location and access to trade gateways and corridors.

To improve its competitive position in the global environment, Western Canada must strive to establish a more innovative, productive, and diversified economy tailored to the strengths within the region[11]. Accordingly, businesses and research institutions will need to support innovation, value-added production, and the commercialization of new products, technologies and services; public investments in the western Canadian economy should leverage private sector investments and build on existing strengths in the industrial structure of each province.

WD will support innovation by continuing to build technology commercialization capacity and infrastructure, and by increasing the capacity of research institutions to respond to the needs identified by industry. WD will support competitiveness by working with business and industry to enhance business productivity and strengthen the economic fundamentals of Western Canada.

Throughout its activities, WD remains aware that the department's success is largely dependent on its ability to maintain strong relationships with partners in industry, provincial and local governments, academic and financial institutions, communities, and third-party delivery partners. Given the uncertainty of the current economic climate and limited fiscal capacity of some of our partners going forward, it is more important than ever to work closely with these partners to collaboratively leverage available resources.

In striving to respond to pressing economic concerns as well as long-term competitiveness issues, WD must continue to be mindful of its own organizational risks. Over the next fiscal year these risks, as profiled by WD at a corporate level, relate to the need to: demonstrate value for money spent; renew a skilled workforce in what is expected to become an increasingly competitive labour market; and ensure its operations and decision-making is efficient and effective. WD will respond to these risks by placing a priority on public service renewal, performance measurement, integrated risk management, and information management while continuing to streamline reporting requirements and maintaining strong, flexible partnerships with key stakeholders.

WD's plans and priorities for 2010-2011 reflect the needs of the western Canadian economy and key Government of Canada priorities, as outlined in the 2009 Speech from the Throne, Advantage Canada, the Global Commerce Strategy, and the Science and Technology Strategy - *Mobilizing Science and Technology to Canada's Advantage* and the National Policy Framework for Strategic Gateways and Corridors. As the global economy continues to adjust to the recent economic and financial turmoil, the department will maintain a flexible policy framework to ensure it remains relevant to western Canadians.

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[11] These activities are prescribed in the Conference Board of Canada's 2009 report "*Western Canada: Productivity, Competitiveness, and Potential.*"

1.7 Expenditure Profile

WD plans to spend $428.9M during fiscal year 2010-2011. Compared to the 2009-2010 fiscal year's forecast spending of $488.1M, this represents a total net decrease of $59.2M. The majority of the decrease results from a decline in WD's core resources and the planned conclusion of funding for certain programs and initiatives. Highlights of WD's change in level of financial resources include:

- $24.2M increase for the Recreational Infrastructure Canada Budget 2009 initiative.
- $22.9M decrease in funding WD received through Budget 2005.
- $20.9M decrease related to the planned conclusion of funding under the mountain pine beetle initiatives (Community Economic Diversification and Airport Improvements).
- $19.0M decrease related to the re-profiling of Alberta and Saskatchewan Centenaries funding.
- $11.6M decrease related to the planned conclusion of funding for the International Vaccine Centre's Biosafety Level III facility in Saskatoon, Saskatchewan.
- $4.8M decrease related to the planned conclusion of Community Futures funding received through Budget 2005.
- $2.0M decrease in operating funding for the Building Canada Fund.

Planned spending of $173.2M in 2011-2012, compared to the 2010-2011 planned spending of $428.9M, represents a total decrease of $255.7M. This decrease is primarily due to the following:

- $152.6M decrease related to the planned conclusion of the Community Adjustment Fund under Canada's Economic Action Plan.
- $88.4M decrease related to the planned conclusion of Recreational Infrastructure Canada funding under Canada's Economic Action Plan.
- $7.7M decrease because of the planned conclusion of funding for the mountain pine beetle initiatives (Community Economic Diversification Initiative).
- $9.7M decrease due to the planned conclusion of funding for the International Vaccine Centre's Biosafety Level III facility in Saskatoon.

1.7.1 Canada's Economic Action Plan

Canada's Economic Action Plan (CEAP) under Budget 2009 provided new resources to WD for the delivery of two programs: the Community Adjustment Fund (CAF) and the Recreational Infrastructure Canada program (RInC). These initiatives have the goal of providing timely, targeted and temporary economic stimulus for communities to mitigate the impacts of the economic downturn.

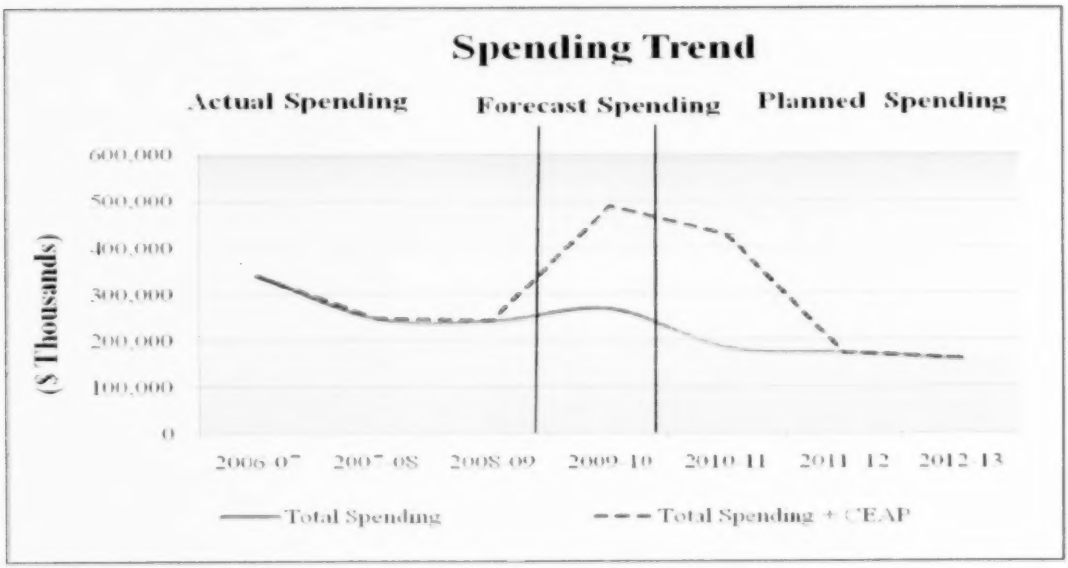
Nationally, CAF and RInC were allocated $1B and $500M, respectively, over two years. WD received $305.3M for CAF and $152.6M for RInC (excludes Public Works and Government Services Canada accommodations costs). The fiscal year breakdown of CEAP spending by program is as follows for Western Canada:

($ thousands)

CEAP Program	Forecasted Spending 2009-10	Planned Spending 2010-11	Total
RInC	64,149	88,450	152,594
CAF	152,732	152,608	305,340
Canada Business Network	3,919	3,919	7,838
Other[12]	45	45	90
Total	220,845	245,022	465,862

Under the CEAP, WD continues to administer the Building Canada Fund – Communities Component, to accelerate the construction of community projects. The department was also provided with $3.9M annually for the renewal of the Canada Business Network in Western Canada. In addition, WD received funding under the Enhanced Federal Students Program to hire additional students above its normal student staffing levels.

The graph below illustrates the financial spending trend (actual and planned) between the fiscal years of 2006-2007 and 2012-2013.



[12] This allocation was received under the Enhanced Federal Students Program.

1.8 Voted and Statutory Items

($ thousands)

Vote # or Statutory Item (S)	Truncated Vote or Statutory Wording	2009–10 Main Estimates	2010–11 Main Estimates
1	Operating expenditures	41,725	54,894
5	Grants and contributions	195,245	368,189
(S)	Contributions to employee benefit plans	4,801	5,873
(S)	Minister of State - salary and motor car allowance	-	2
	TOTAL	241,771	428,958

Section II: Analysis of Program Activities by Strategic Outcome

2.1 Strategic Outcome: The western Canadian economy is developed and diversified

WD's programs encourage business development, innovation and community economic development, and are supported by the department's leadership and coordination role in furthering western interests and responding to western challenges.

WD works to improve the long-term economic competitiveness of the West and the quality of life of its citizens by supporting a wide range of initiatives aiming to increase western firms' competitiveness, create employment opportunities and ensure prosperity for its citizens and communities over the long term. Furthermore, the department aims to stimulate economic activity, increase the business productivity and competitiveness of western firms, reduce the region's dependence on primary industries, and encourage investments in innovation.

WD will track its contribution against the following performance indicators. These indicators are:

Strategic Outcome Expected Results	Performance Indicators	Targets
The western Canadian economy is developed and diversified	Real gross domestic product (GDP) growth in Western Canada	3% (stable growth rate)
	Labour productivity growth in Western Canada, as measured by year-over-year change in real GDP per hour worked	1.2% (stable growth rate)
	Primary production as a % of GDP	14% (continuation of downward trend)
	Research & Development (R&D) intensity: gross domestic expenditures on R&D (GERD) as % of GDP	1.3% (stable growth rate)

The department's four program activities and management related program activity (Internal Services) support the achievement of its strategic outcome. Specifically, they are:

1. **Business Development:** strong SMEs in Western Canada with improved capacity to remain competitive in the global marketplace.
2. **Innovation:** a stronger knowledge-based economy.
3. **Community Economic Development:** communities have increased economic opportunities and capacity to respond to challenges, as well as the necessary investments in public infrastructure.
4. **Policy, Advocacy and Coordination:** policies and programs that strengthen the western Canadian economy.
5. **Internal Services:** effective and efficient support for the delivery of the organizational strategic outcome.

In addition to these areas, WD was given the responsibility of delivering Canada's Economic Action Plan initiatives on behalf of the Government of Canada. A more detailed explanation of these initiatives is found in section 2.1.5.

2.1.1 Program Activity: Business Development

Human Resources (FTEs) **and Planned Spending** ($ thousands)					
2010–11		**2011–12**		**2012–13**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
65[13]	39,157	78	42,575	78	42,575

Program Activity Expected Results	**Performance Indicators**	**Targets**
Strong SMEs in Western Canada with improved capacity to remain competitive in the global marketplace	SME revenue (all SME sizes) (excluding non-employee)	$322M (stable level of revenue)
	SME employment (all SME sizes) (excluding non-employee)	2.5M (stable employment level)
	Annual international trade: value of exports excluding primary production sectors	$47B

[13] The variance in Full-time Equivalents (FTEs) between 2010-2011 and future years is due to 13 FTEs being reflected against Canada's Economic Action Plan activities for 2010-2011 as approved in Budget 2009.

Program Activity Summary:
WD works with western Canadian businesses, industry and research organizations to support initiatives to enhance business productivity and competitiveness; to increase the penetration of western Canadian technologies, services and value-added products into international markets; and to improve access to capital. Through this program activity, WD partners with other stakeholders, such as the provincial governments, to provide business programs and services to entrepreneurs and SMEs.

WD will implement this program activity through the following sub-activities:

- Improved business productivity
- Market and trade development
- Industry collaboration
- Foreign direct investment
- Access to capital

Link to 2010-2011 Operational Priorities:

- Trade and Investment
- Business Productivity and Competitiveness

Planning Highlights:
WD plans to undertake the following activities in 2010-2011:

- Invest in business development projects in conjunction with business associations and organizations, as well as encourage and enable industry-led solutions to productivity challenges.
- Support international business development and investment promotion projects.
- Advance western Canada's advocacy, trade and investment, and science and technology interests in the United States and Mexico through the North American Platform Program.
- Enable western Canadian aerospace and defence companies to access federal procurement and industrial regional benefits opportunities through initiatives such as supplier development tours.
- Make strategic investments in infrastructure and collaborative projects, and promote value-added opportunities related to Western Canada's trade gateways and corridors.
- Deliver entrepreneurship programs and services through the Western Canada Business Service Network in both rural and urban areas within Western Canada, including continuing to increase the availability of risk capital to SMEs affected by the global decline in access to credit.

Benefits for Canadians:
Small businesses are a key driver of the western Canadian economy, accounting for a greater percentage of the employment in the West as compared to the rest of Canada. Ongoing support for the creation and expansion of SMEs will be important during the economic recovery in order to contribute to job creation and maintenance in Western Canada.

Productivity growth is considered to be the most important source of long-term economic growth and the only way to increase the long-term material standard of living of Canadians. Consequently, businesses that expand to foreign markets create jobs and enhance their competitiveness and productivity.

2.1.2 Program Activity: Innovation

Human Resources (FTEs) **and Planned Spending** ($ thousands)					
2010–11		**2011–12**		**2012–13**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
54	59,455	54	49,207	54	49,207

Program Activity Expected Results	**Performance Indicators**	**Targets**
A stronger knowledge-based economy	Total income from the commercialization of intellectual property	$28.14M (stable growth rate)
	Business expenditure on research and development (R&D) as % of total employment	0.55% (stable growth rate)
	Employment in natural and applied science and related occupations as a % of total employment	7.0% (modest increase)

Program Activity Summary:
Innovation is the process of translating knowledge into new products and services, or improving on existing products and services for economic and social benefit. Successful innovation starts with a new idea and moves through the research and development stage into a ready-for-market product. The innovation process is not linear, but involves a web of interconnected activities and actors that is called an innovation system. WD works with universities, research institutes, other federal departments, provincial governments, and industry associations to strengthen the western Canadian innovation system.

WD will implement this program activity through the following sub-activities:

- Technology Adoption and Commercialization
- Technology Linkages
- Technology Research and Development
- Community Innovation
- Technology Skills Development
- Knowledge Infrastructure

Link to 2010-2011 Operational Priorities:

- Trade and Investment
- Technology Commercialization

Planning Highlights:
WD plans to undertake the following activities in 2010-2011:

- Continue to support capacity building that enables the facilitation of technology commercialization and bringing products to markets. Potential approaches include getting technologies to the marketplace through demonstration, first use, or unsolicited proposals. This support will enable firms to prove their products in the marketplace,

penetrate domestic and international markets, and facilitate firms in attracting scarce venture capital.
- Create effective linkages among players in the innovation system in order to facilitate the commercialization of technologies into new products and services.
- Explore approaches to improve the performance of firms in getting technologies to the marketplace.
- Invest in equipment and infrastructure to support industry and build sector capacity.

Benefit to Canadians:
WD invests in innovation because it is internationally recognized as a key driver of competitiveness and prosperity. Innovation is also the foundation of a diversified, knowledge-based economy, which is core to WD's mandate. The importance of innovation is reflected in the many international, federal and provincial innovation strategies that focus on technology commercialization, applied research and development (R&D), and highly qualified personnel.

2.1.3 Program Activity: Community Economic Development

Human Resources (FTEs) **and Planned Spending** ($ thousands)					
2010–11		**2011–12**		**2012–13**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
76	58,031	73	54,206	73	41,269

Program Activity Expected Results	**Performance Indicators**	**Targets**
Communities have increased economic opportunities and capacity to respond to challenges, as well as the necessary investments in public infrastructure	Employment: number of new jobs created	39,000 (growth at a slower rate)
	Net migration rate (international and domestic)	95,000 (stable net migration)
	Percentage of key informants with the opinion that WD delivery of infrastructure programs resulted in investments that reflect western Canadian infrastructure priorities	50%

Program Activity Summary:
This program activity involves economic development and diversification initiatives that support both rural and urban communities to sustain their economies as well as adjust to changing and challenging economic circumstances. It includes facilitating economic recovery and public infrastructure investments in Western Canada to meet the Government of Canada's commitment to strong economic growth and improving the standard of living of all Canadians. Furthermore, it ensures that economic, social and environmental considerations are taken into account in initiatives designed to foster community growth. The activities include community-based

consultations or facilitation and planning. The program activity strives to integrate federal programs, services and horizontal initiatives directed towards western Canadian communities.

WD will implement this program activity through the following sub-activities:

- Community Planning
- Community Development
- Community Economic Adjustment
- Community Infrastructure

Link to 2010-2011 Operational Priorities:

- Business Productivity and Competitiveness

Planning Highlights:

WD plans to undertake the following activities in 2010-2011:

- Support projects in rural areas to help communities diversify and strengthen their economies.
- Invest in initiatives that enhance Aboriginal participation in the economy.
- Continue to deliver, monitor and evaluate the Community Economic Diversification Initiative and Airport Improvements Initiative components of the federal mountain pine beetle response in British Columbia on behalf of the federal government.
- Support Community Futures organizations and Francophone Economic Development Organizations to provide community planning and development services to rural and Official Language Minority Communities.
- Continued work with Infrastructure Canada to improve the delivery of national infrastructure programs such as the Infrastructure Canada Program, Municipal Rural Infrastructure Fund, Canada Strategic Infrastructure Fund and Building Canada Fund.

In addition to these highlights, WD is responsible for delivering a number of Canada's Economic Action Plan (CEAP) initiatives in Western Canada. While these programs are being delivered under the Community Economic Development program activity, more specifically under the Community Economic Adjustment sub-activity, a detailed explanation of these initiatives and WD's planned CEAP activities can be found in section 2.1.5.

Benefits for Canadians:

This program activity contributes to the development of strong and economically vibrant communities that in turn, contribute to strong, economic growth for Canada. Through WD's investments, both rural and urban communities will have increased opportunity and capacity to respond to economic challenges.

Investment into Canada's infrastructure system will result in a stronger economy, a cleaner environment, and better communities, while addressing local and regional infrastructure needs.

2.1.4 Program Activity: Policy, Advocacy and Coordination

Human Resources (FTEs) and Planned Spending ($ thousands)					
2010–11		2011–12		2012–13	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
60	8,873	60	8,879	60	8,879

Program Activity Expected Results	Performance Indicators	Targets
Policies and programs that strengthen the western Canadian economy	Percentage of key informants with the opinion that WD activities provide policies and programs that support the economic development of Western Canada	90%
	Percentage of WD projects completed this fiscal year that successfully met or exceeded performance targets	85%

Program Activity Summary:
WD's activities under this program activity promote the development and diversification of the economy of Western Canada; and advance the interests of Western Canada in national economic policy, program and project development and implementation. This includes supporting policy research and consultation in order to better understand issues facing the West, leading federal and intergovernmental collaboration to pursue key opportunities and strategic investments for long-term growth and diversification in areas of federal or shared federal-provincial jurisdiction, and improving the targeting of investments through policy development related to the design and delivery of WD programming. The expected result of the program activity is that federal policies and programs are responsive and strategic; focused on addressing the West's economic development and diversification challenges; and maximize economic opportunities for the region.

WD will implement this program activity through the following sub-activities:

- Collaboration and Coordination
- Research and Analysis
- Advocacy

Link to 2010-2011 Operational Priorities:

- Trade and Investment
- Technology Commercialization
- Business Productivity and Competitiveness

Planning Highlights:
WD plans to undertake the following activities in 2010-2011:

- Work with western provincial Deputy Ministers responsible for economic development and innovation to identify opportunities and challenges across the West, continuing to lead or participate in western-based fora such as the Regional Federal Councils, the Senior Officials Forum on Innovation, and regional trade teams.

- Continue WD's partnerships with the four western provinces through agreements such as the Western Economic Partnership Agreements and other joint federal-provincial arrangements to identify and support significant investments in projects that support federal and provincial priorities.
- Undertake informed advocacy on policy issues relevant to Western Canada, including key areas such as industrial regional benefits related to federal procurement, enhanced value from gateways and corridors, and strengthened trade and investment opportunity.
- Support research that assists in the development of policy options for Western Canada, which will in turn improve the West's competitiveness in the global economy.

Benefits for Canadians:
Through this program activity, WD engages stakeholders, utilizes information and resources in a coordinated manner to pursue opportunities, and represents western interests (and challenges) in federal decision-making. This helps to ensure that national priorities, policies, programs, and procurements are regionally sensitive and reflective of western economic priorities.

2.1.5 Canada's Economic Action Plan

Human Resources (FTEs) **and Planned Spending** ($ thousands)					
2010–11		**2011–12**		**2012–13**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
88	245,022	-	-	-	-

Program Activity Expected Results	**Performance Indicators**	**Targets**
Successful community adjustment to mitigate economic crises	Number of jobs created or maintained (CAF)	3,408
	Number of public-private partnerships (CAF)	28
	Number of businesses created, maintained or expanded (CAF)	250
	Number of participants trained (CAF)	846
	Number of new and improved local infrastructure elements (RInC)	922
	Number of jobs created or maintained (RInC)	2,024
	Total infrastructure funding expended (federal, provincial, municipal and private – as a proxy for local economic stimulus) (RInC)	$258.6M

Planning Summary:
Under Canada's Economic Action Plan in Budget 2009, WD was tasked with delivering the Community Adjustment Fund (CAF) and the Recreational Infrastructure Canada (RInC) program in Western Canada to provide timely, targeted and temporary economic stimulus to communities.

CAF focuses on creating employment opportunities and supporting adjustment measures in communities impacted by the global economic downturn. The initiative is focused on helping to create and/or maintain short-term employment opportunities that support rural and single-industry communities. The RInC program provides support for timely, targeted, and temporary economic stimulus for local communities by increasing the total amount of construction activity. Both programs leverage funds from the provinces, territories and other funding partners. WD funding is delivered over the 2009-2010 and 2010-2011 fiscal years. Implementation of these programs is also incremental to existing resources and will result in substantial increases in WD's programming activities.

As part of the CEAP, WD is also administering the Building Canada Fund – Communities Component to accelerate the construction of community projects throughout Western Canada. In addition, the department received $3.9M annually for the renewal of the Canada Business Network, which provides small businesses with information on government services, programs and compliance requirements. WD partners with all four provincial governments to fund and manage the four Canada Business Networks in Western Canada.

Activities under the CEAP area are categorized under the Community Economic Development program activity of the department's Program Activity Architecture.

Planning Highlights:
To achieve the intended outcomes, WD will continue to deliver CAF and RInC throughout Western Canada. All approved projects must be materially completed by March 31, 2011. Planning highlights are as follows:

- Commit remaining funds to eligible projects.
- Ensure sound management and stewardship of programming to ensure funds are fully utilized by the end of 2010-2011.
- Ensure approved projects are meeting timelines and performance indicators are reported in a timely and accurate manner.
- Work with clients to maximize the impact and results of investments and ensuring effective communication of these results to the public.

Benefits for Canadians:
WD's investments in CAF and RInC will create new jobs and maintain employment for affected workers and contribute to more viable communities. In addition, investments will provide a legacy of longer-term economic and/or ecological benefits including renewed recreational infrastructure in western Canadian communities.

2.1.6 Program Activity: Internal Services

Human Resources (FTEs) and Planned Spending ($ thousands)					
2010–11		2011–12		2012–13	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
131	18,420	131	18,329	131	18,329

The Internal Services program activity supports all other program activities and the department's strategic outcome.

Program Activity Summary and Planning Highlights:

Link to 2010-2011 Operational Priorities:

- Trade and Investment
- Technology Commercialization
- Business Productivity and Competitiveness

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization (e.g. corporate planning, program management, internal audit, and evaluation). These groups are: management and oversight services; communications services; legal services; human resources management services; financial management services; information management services; information technology services; real property services; materiel services; acquisition services; and travel and other administrative services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

WD will implement this program activity through the following sub-activities:

- Governance and Management Support
- Resource Management Services
- Asset Management Services

Section III: Supplementary Information

3.1 Supplementary Information Tables

All electronic supplementary information tables found in the 2010-2011 Report on Plans and Priorities can be found on the Treasury Board of Canada Secretariat's web site at: http://www.tbs-sct.gc.ca/rpp/2010-2011/info/info-eng.asp. The following tables are available:

- Details on Transfer Payment Programs
- Up-Front Multi-Year Funding
- Green Procurement
- Horizontal Initiatives
- Upcoming Internal Audits and Evaluations
- Sources of Respendable and Non-Respendable Revenue

3.2 Other Items of Interest

3.2.1 Corporate Business Plan

Western Economic Diversification Canada's (WD) Corporate Business Plan for the three year planning period beginning 2010-2011 will be available on WD's website in 2010. The Corporate Business Plan integrates business planning, human resources planning, and risk management to ensure that WD continues to be well-positioned to achieve the department's strategic outcome and priorities.

3.2.2 Section 41, *Official Languages Act*

WD recognizes the contribution of Official Language Minority Communities (OLMCs) to the economy of Western Canada. WD undertakes positive measures through our Results-Based Action Plan for the Implementation of Section 41 of the *Official Languages Act* to enhance the vitality of western Canadian francophone OLMCs, to support and assist them in their development, and to foster the full recognition and use of both English and French in Canadian society.

3.2.3 WD's Strategic Planning Framework for 2010-2011

The framework on the following page depicts the logical relationship between WD's strategic outcome and its program activities. It also demonstrates how WD's 2010-2011 priorities contribute to achieving the department's strategic outcome, and how WD contributes to Government of Canada outcome areas.

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada
Strategic Planning Framework
2010-2011
Government of Canada Outcome Areas
Strong Economic Growth (Canada's Economic Action Plan)
An Innovative and Knowledge-Based Economy
How WD contributes to a stronger Canada
WD Mandate
To promote the development and diversification of the western Canadian economy, coordinate federal economic activities in the West, and reflect western Canadian interests in national decision-making.
WD Vision
To be leaders in creating a more diversified western Canadian economy that has strong, competitive and innovative businesses and communities.
Our 2010-2011 Priorities
Technology Commercialization
Trade & Investment
Business Productivity & Competitiveness
These priorities will be WD's focus in 2010-2011 to achieve the following strategic outcome
Our Strategic Outcome
The western Canadian economy is developed and diversified
Our Program Activities
Business Development: Strong SMEs in Western Canada with improved capacity to remain competitive in the global marketplace.
Innovation: A stronger knowledge-based economy.
Community Economic Development: Communities have increased economic opportunities and capacity to respond to challenges, as well as the necessary investments in public infrastructure.
Policy, Advocacy and Coordination: Policies and Programs that strengthen the western Canadian economy.
Internal Services: Effective and efficient support for the delivery of the organizational strategic outcome.
Our People
Making a difference
A stronger West. A stronger Canada
Canada